

Message Text

CONFIDENTIAL

PAGE 01 PEKING 02828 090538Z

ACTION EA-12

INFO OCT-01 ISO-00 CIAE-00 INR-10 NSAE-00 TRSE-00 EB-08

CEA-01 DOE-15 SOE-02 L-03 SS-15 SP-02 NSC-05

OMB-01 STR-07 COME-00 /082 W

-----053437 100740Z /13

R 090513Z SEP 78

FM USLO PEKING

TO SECSTATE WASHDC 1957

C O N F I D E N T I A L PEKING 2828

E.O. 11652: GDS

TAGS: EFIN, ENRG, CH, US

SUBJ: PRC TAX STRUCTURE

REF: STATE 225113

1. WHEN UNION OIL WAS HERE, THEY MADE A SIMILAR REQUEST TO USLO ABOUT PRC TAXATION POLICIES. PRIOR TO RECEIPT REFTEL, WE HAD AN OPPORTUNITY TO RAISE THE SUBJECT INFORMALLY WITH CHINA COUNCIL FOR THE PROMOTION OF INTERNATIONAL TRADE LEGAL DEPARTMENT DIRECTOR JEN CHIEN-HSIN. JEN SAID THERE ARE PROVISIONS FOR TAXES ON INCOME WHICH APPLY TO PRC DOMESTIC CORPORATIONS ONLY (BUT NOT TO PRC STATE FOREIGN TRADING CORPORATIONS). THESE TAXES DO NOT RPT NOT APPLY TO FOREIGN FIRMS (OF COURSE, TO DATE FOREIGN FIRMS HAVE BEEN LIMITED TO A TRADING RELATIONSHIP WITH PRC AND HAVE NOT BEEN GENERATING INCOME IN CHINA). USLO OFFICER BRIEFLY EXPLAINED WHY THIS QUESTION WAS OF INTEREST TO U.S. OIL FIRMS. JEN SUGGESTED THAT THE QUESTION WAS UNDER STUDY, BUT HE DID NOT GIVE ANY INDICATION THAT THE CHINESE WOULD BE ABLE TO ACCOMMODATE U.S. OIL COMPANY REQUIREMENTS IN THIS REGARD.

2. COMMENT: THE EXISTENCE OF A PRC INCOME TAX STRUCTURE AT LEAST PROVIDES SOME PRECEDENT OR BASIS FOR MEETING U.S.

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OIL COMPANY CONCERNS ABOUT IRS REQUIREMENTS. WE DOUBT WHETHER ANY OF THE U.S. OIL COMPANIES' DISCUSSIONS HAVE PROCEEDED TO THE POINT WHERE PRC WOULD MAKE ANY COMMITMENTS ON THIS QUESTION. HOWEVER, WHEN DISCUSSIONS REACH A MORE CONCRETE STAGE LATER THIS FALL, PRC NEGOTIATORS MAY BE ABLE TO SHOW SOME FLEXIBILITY ON THIS POINT. WOODCOCK

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NNN

Message Attributes

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Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, STRUCTURE, TAXES
Control Number: n/a
Copy: SINGLE
Draft Date: 09 sep 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
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Executive Order: GS
Errors: N/A
Expiration:
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From: PEKING
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780984/aaaacrnv.tel
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Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 18797053-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
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TAGS: EFIN, ENRG, EINV, CH, US
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